

Malaysia Manufacturing PMI

Manufacturing activity expanded slightly in November

- Manufacturing PMI improved slightly to 52.3 in November (Oct: 52.2), its highest level since April 2021**

- Manufacturing conditions improved in line with the relaxation of COVID-19 restrictions and gradual economic reopening under the National Recovery Plan (NRP) amid rapid progress of vaccination rate.

- Output and new orders expanded further in November**

- New orders rose at the fastest pace since April 2021, underpinned by solid demand amid higher consumer confidence in domestic and international markets.
 - Nonetheless, new export orders moderated, but the pace of reduction was mild, supported by higher demand from the Asia-Pacific region.

- Stronger sense of optimism on the back of an improved outlook**

- Positive sentiment at the highest level since April, driven by hopes that national and international pandemic restrictions would be lifted.
 - Similarly, the employment level expanded, the first time since March 2021, as additional capacity was required to fulfil orders. Nonetheless, firms consistently highlighted the difficulty in hiring especially cheap foreign labours.
 - Concurrently, backlogs of work expanded at the second-fastest pace on record.

- Cost pressure persisted due to ongoing raw materials shortages, higher freight cost and delivery delays**

- As a result, input costs increased consistently for one-and-a-half years and at the fastest rate since May, causing firms to partially pass higher costs onto clients, with the rate of inflation at a seven-month high.

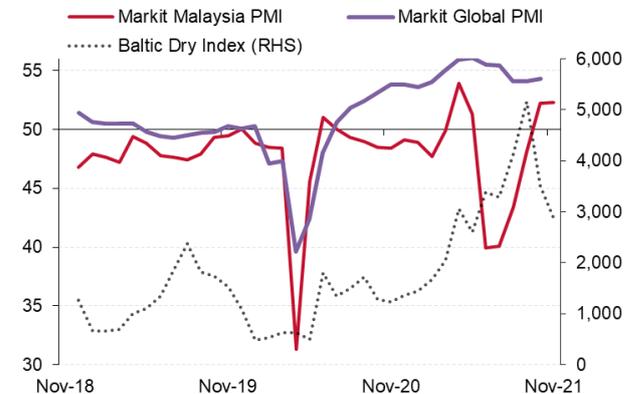
- Improved manufacturing conditions among major economies**

- China (50.1; Oct: 49.2): return to an expansion as power shortages eased in November, and subsequently improving manufacturing production.
 - US (59.1; Oct: 58.4): flash manufacturing PMI reading expanded but remained pressured by raw material and labour shortages.

- Cautious outlook for manufacturing conditions in the near term due to the Omicron variant**

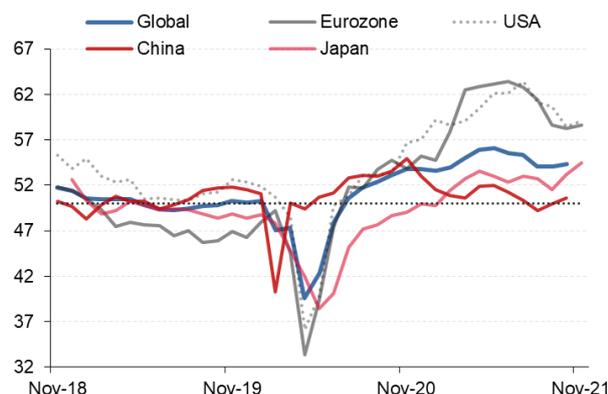
- While the domestic manufacturing sector is expected to recover in the final quarter of this year, we are now penciling a cautiously optimistic outlook going into 2022. This is mainly due to the new COVID-19 Omicron variant discovered in South Africa and currently spreading in some parts of the world, while the European region is battling with another fresh wave of COVID-19. A potential surge in the number of infections due to the spread of Omicron and the reimposition of pandemic-related restrictions will hinder the pace of global economic recovery.
 - Nonetheless, the impact may not be the same or severe as before, given the current higher vaccinated population, supported by continued fiscal and financial measures as well as the unleashed pent-up demand. Against this backdrop, we retain GDP growth projection at 3.5% - 4.0% (point forecast: 3.7%) in 2021 and to expand further to 5.5% - 6.0% (point forecast: 5.7%) in 2022. However, our forecast is still subjected to downside risks.

Graph 1: Global & Malaysia Manufacturing PMI



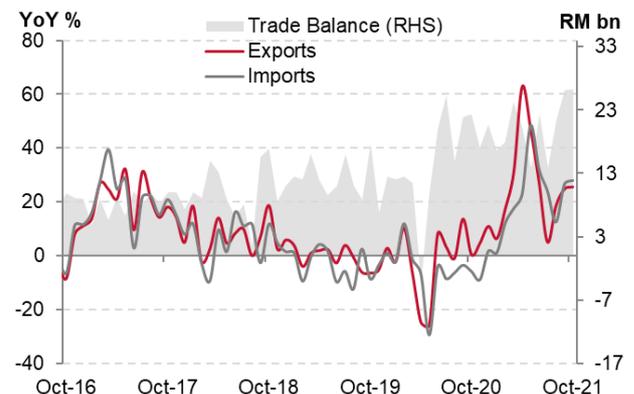
Source: Dept. of Statistics, Bloomberg, IHS Markit, Kenanga Research

Graph 2: Global PMI Trend



Source: Bloomberg, IHS Markit, Kenanga Research

Graph 3: Malaysia External Trade Growth



Source: Dept. of Statistics, Kenanga Research

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Table 2: Malaysia PMI Trend

	2019	2020	Nov-20	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
Markit Malaysia PMI	48.4	49.1	48.4	39.9	40.1	43.4	48.1	52.2	52.3
New Orders*			Down	Down	Down	Down	Down	Up	Up
Output*			Down	Down	Down	Down	Down	Up	Up
Employment*			Down	Down	Flat	Down	Down	Down	Up
Stocks of Purchases*			Down	Down	Down	Down	Down	Down	Up
Markit Global PMI	50.0	49.2	53.8	55.5	55.4	54.1	54.1	54.3	N/A
Baltic Dry Index	1,260	1,230	1,227	3,383	3,292	4,132	5,167	3,519	2,881
DoS Leading Index (% YoY)	0.0	3.5	7.5	0.5	-4.0	-2.3	0.6	N/A	N/A

Source: IHS Markit, Bloomberg, CEIC, Dept. of Statistics, Kenanga Research

*The "Up/Down/Flat" movements for sub-indicators are based on IHS Markit's own reports. Detailed and historical data are available on a subscription basis only.

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